Ensuring Global Economic Stability

An Interview with Kristalina Georgieva, Managing Director, International Monetary Fund (IMF)


Kristalina Georgieva

EDITORS' NOTE *Kristalina Georgieva assumed her current position on October 1, 2019. Before joining the Fund, she was CEO of the World Bank from January 2017 to September 2019, during which time she also served as Interim President of the World Bank Group for three months. Previously, Georgieva helped shape the agenda of the European Union. She served as European Commission Vice President for Budget and Human Resources, overseeing the $175 billion budget and 33,000 staff. Before that, she was Commissioner for International Cooperation, Humanitarian Aid and Crisis Response, managing one of the world's largest humanitarian aid budgets. Prior to joining the European Commission, Georgieva worked for 17 years at the World Bank, culminating in her appointment as Vice President and Corporate Secretary in 2008. She held a number of other senior positions, including World Bank Director for Sustainable Development, World Bank Director for the Russian Federation, based in Moscow, World Bank Director for Environment, and Director for Environment and Social Development for the East Asia and Pacific Region. She joined the World Bank as an environmental economist in 1993. Georgieva serves on many international panels including as co-Chair of the Global Commission on Adaptation to climate change, and as co-chair of the United Nations Secretary-General's High-Level Panel on Humanitarian Financing. In 2010, she was named "European of the Year" and "Commissioner of the Year" by* European Voice *for her leadership in the EU's humanitarian response to crises. She has authored and co-authored over 100 publications on environmental and economic policy topics, including textbooks on macro- and microeconomics. Born in Sofia, Bulgaria, Georgieva holds a PhD in economic science and an MA in political economy and sociology from the University of National and World Economy, Sofia, where she was an Associate Professor between 1977 and 1993. During her academic career, she was visiting fellow at the London School of Economics and at the Massachusetts Institute of Technology.*

INSTITUTION BRIEF *Created in 1945, the International Monetary Fund (imf.org) is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF's primary purpose is to ensure the stability of the international monetary system – the system of exchange rates and international payments that enables countries and their citizens to transact with each other. The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.*

You assumed your role as Managing Director of the IMF in October 2019. What excited you about this opportunity and how did your previous experience prepare you for this position?

My life has given me a broad perspective on how economics affects people's lives. I was born behind the Iron Curtain and experienced the profound limitations of a centrally planned economy. After the collapse of communism in Eastern Europe, I lived through Bulgaria's painful transition to a market economy. I vividly remember hyperinflation wiping out my mother's life savings and getting up at 4:00 AM to buy milk for my daughter.

Together with my work at the World Bank and the European Commission, my experience has given me this very clear understanding: macro decisions have micro impacts. Policy must always be about people, especially the poor and the vulnerable who need help the most.

My background also gives me an unwavering sense of pragmatic optimism. I have observed how, with perseverance and work, hard times can turn into good times, and potentially bad outcomes can be transformed into good outcomes. Optimism must, of course, be backed by action and I strongly believe in our collective ability to make life better for people. So, to lead the IMF at a time when it has a critical role to play, is both exciting and humbling.

What do you see as the IMF's role in the world today?

The IMF is at the center of the global financial safety net. In the first phase of the crisis, we worked as an "economic first responder" and rapidly disbursed over $30 billion in emergency financing to 75 countries in just four months – an unprecedented response. Now, as the world starts to move toward recovery, we are acting as an "economic stabilizer" and working on key issues like rising public debt, ensuring stability in the financial sector, and how to boost job creation in countries and regions that are particularly dependent on sectors that have been hit hard by the pandemic.

We have three key assets that have helped us in these two roles:

Our financial capacity enables us to act quickly and decisively. Thankfully, after the global financial crisis, our members had the foresight to quadruple our lending capacity from $250 billion to $1 trillion. We have deployed around a quarter of this capacity, including through providing emergency financing, standby arrangements, debt relief and flexible credit lines, and we stand ready to provide further assistance to our members.

Our expertise enables us to analyze economies to identify risks and opportunities for our members and offer practical policy advice based on global experience. Consider our COVID-19 policy tracker - it covers the key economic responses of 196 economies to the current crisis and allows policymakers to see how others are managing the crisis. This is available on our website. We have also ramped up our capacity development efforts for countries and enhanced our economic surveillance by incorporating epidemiological expertise in our macroeconomic models.

And, finally, our vision. Being resilient tomorrow requires vision today, both when it comes to the challenges we may face, and the opportunities we may find. Even as we urge countries not to withdraw policy support prematurely in the next phase of the crisis, we are also thinking about building forward better toward a world that is fairer and more equitable, greener and more sustainable, smarter and, above all, more resilient.

What metrics will you use to judge your leadership and the success of the IMF?

As a leader, my role is to work with the Board to set priorities and then make sure staff is highly energized, with all the support and the resources they need to deliver. I am fortunate that the Fund is blessed with a brilliant and diverse staff – a mixture of people from different backgrounds who bring their experience and knowledge, and their commitment, to serve our members.

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It is our members and their citizens who we serve who will ultimately judge whether the IMF has been successful. If we succeed in our mission – to help ensure global economic stability – this would translate into more and better jobs, sustainable and resilient economies, and better health and education systems that create opportunities for people to reach their potential. That is our baseline and guiding principle – policies to help people.

The world is facing many challenges and crises. How critical is resilience in addressing these global issues?

If there is one clear lesson from this crisis, it is the importance of building a resilient economy, because we live in a more shock-prone world. If you build strong buffers, you can put these to use when they are needed, and we have seen how countries with stronger underlying economic fundamentals have fared better during the crisis. For example, we know emerging markets and developing countries will be the hardest hit by this crisis – they face the biggest challenges and steepest trade-offs. Last March, around $100 billion left emerging and developing economies, yet following the massive liquidity injection by central banks, emerging market sovereigns were able to go back to the markets quickly with $83 billion issued March to June. Year-to-date issuance in 2020 stands at $137 billion, or $30 billion higher than the previous record for this point in time in the calendar year (in 2018).

More broadly, public investments can also boost resilience – think of the lives saved by strong public health investments, the jobs preserved by digital skills and infrastructure, and the services maintained by harnessing technology. An example is Rwanda that already had a 93 percent financial inclusion rate before the pandemic, so the government could build on that foundation to roll out enhanced social safety nets.

This pandemic is far from the last crisis we will see. Climate change could devastate economies, widen inequality and displace millions of people. For this and other global crises to come, we must build resilience now.

What are the key factors getting in the way of making the world more resilient?

After the financial crisis, the international community focused on strengthening the banking sector to improve its resilience. Today, we must expand the concept of resilience across three dimensions. First, as governments further expand their fiscal support, they need to remain fully accountable to the taxpayer, spending what is needed but keeping the receipts. Countries also need to take advantage of the digital transformation to move governments to e-platforms so that they can ensure efficient and transparent public spending, while taking action to cut red tape and helping private businesses to flourish. Second, policies must be environmentally sustainable as well as fiscally sustainable. This means supporting low-carbon and climate-resilient growth and being smart about allocating additional public spending to these priorities. Finally, all governments need to embrace the concept of investing in people – social safety nets to catch people if they fall, and social safety ropes to help people pull themselves back up again. That means spending more and spending better on schools, training, and reskilling. It means expanding well-targeted social programs to reach the most vulnerable. It means empowering women by reducing labor market discrimination. Such investment will need to be funded by more equitable taxation, especially given enhanced public debt levels. If we seize these opportunities, we will emerge from this crisis with a global economy that is not just more resilient, but also more efficient, more inclusive, and more sustainable.

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How critical are collaboration and strong global alliances to building a more resilient world?

The pandemic is a powerful reminder of the need for solidarity in an interconnected world. Governments have taken extraordinary measures to curb the spread of the disease and limit the immediate economic damage. But even as governments are taking measures at home, they also need to strengthen their joint efforts because international cooperation is critical to build resilience and preserve stability. Take trade – we have seen some governments taking measures to limit the movement of key items like drugs, protective gear and ventilators. Curbs on some food supply lines are also starting to appear, despite strong overall supply. What may make sense in an isolated emergency can be severely damaging in a global crisis, especially for poorer and more vulnerable countries, and we have called on governments to refrain from imposing trade restrictions and to remove those put in place this year.

The good news is that we do see cooperation among countries, like the EU agreement on a 750 billion euros recovery package, and we have seen good cooperation between multilateral institutions and among the international community. Early in the crisis, together with World Bank President David Malpass, I called on official bilateral creditors to suspend debt service payments from the poorest countries. The G20 responded with the Debt Service Suspension Initiative (DSSI) that means bilateral official creditors will suspend debt service payments from the poorest countries that request it. This commendable initiative should be extended, and we should also consider how to encourage greater private sector participation and measures to improve debt transparency. Beyond the DSSI, there is a need to fill gaps in the international debt architecture and think about more comprehensive debt relief for many countries.

From an IMF perspective, we have seen significant international cooperation throughout this crisis. We have received strong support from across our membership as we have acted at unprecedented speed to help countries that have been hit hard by the crisis, and throughout this period, we have heard all our member countries say they want the IMF to be strong. We are not going to get out of this crisis one country at a time and in my experience, the world is willing and able to come together for the common good. ●